

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**OFFICE OF THE ATTORNEY GENERAL**  
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## **District, 50 States and FTC Go after Four Sham Cancer Charities for Bilking Consumers Out of \$187 Million**

*Settlements Net Judgments of Nearly \$137 Million, Litigation Proceeds against Others*

**WASHINGTON, D.C.** – Today, Attorney General Karl A. Racine joined the Federal Trade Commission and state law enforcement partners in every other state in the nation in announcing that they had jointly filed a federal lawsuit against four phony cancer charities and their operators, who allegedly scammed more than \$187 million from consumers throughout the country.

**“I’m proud to join our state and federal partners in presenting a unified front to fight charity fraud of the worst kind,”** Attorney General Racine said. **“Today’s actions will permanently end deceptive solicitations that claimed to assist children with cancer and women with breast cancer — solicitations that targeted residents of the District and every other state in the country.”**

The joint complaint alleges that the defendants — including Cancer Fund of America, Children’s Cancer Fund of America, Cancer Support Services and The Breast Cancer Society — portrayed themselves to donors as legitimate charities with substantial nationwide programs whose primary purposes were to provide direct support to cancer patients in the United States. In fact, the overwhelming majority of consumers’ contributions benefitted only the perpetrators, their families and friends, and professional fundraisers who often received 85 percent or more of every donation.

Among other things, defendants or their telemarketers often told donors that their contributions would be used to provide pain medication to children suffering from cancer, to transport cancer patients to chemotherapy appointments, and/or to pay for hospice care for cancer patients. However, the defendants did not operate programs that provided these services.

The federal court complaint names:

- Cancer Fund of America, Inc.; and Cancer Support Services, Inc., and the president of both corporations, James Reynolds, Sr.; as well as Kyle Effler, the chief financial officer of both corporations and the former president of Cancer Support Services;
- Children’s Cancer Fund of America, Inc., and its president, Rose Perkins; and

- The Breast Cancer Society, Inc., and its executive director and former president, James Reynolds, II.

The federal and state plaintiffs today also filed stipulated judgments with five of these defendants: Children's Cancer Fund and Rose Perkins; The Breast Cancer Society and James Reynolds, II; and Kyle Effler. Litigation will proceed against Cancer Fund of America, Cancer Support Services (which the complaint alleges operates as a common enterprise with Cancer Fund of America), and James Reynolds, Sr.

The federal court complaint alleges that the entities were sham charities, "operated as personal fiefdoms characterized by rampant nepotism, flagrant conflicts of interest, and excessive insider compensation, with none of the financial and governance controls that any *bona fide* charity would have adopted." The individual defendants allegedly hired family members and friends, whether qualified or not, and used the organizations to provide them with steady, lucrative employment. The sham charities spent more money on salaries and perks, like cruises and concert tickets, than on the goods and services they provided to cancer patients.

### **Settlements Dissolve Charities, Ban Individuals from Future Charity Management**

In settlements filed concurrently with the complaint, five defendants agreed to leave the charity business and to stop fundraising:

- Children's Cancer Fund of America agreed to entry of a judgment for \$30,079,821, the amount that consumers donated to Children's Cancer Fund between 2008 and 2012. The corporation's assets will be liquidated and transferred to a receiver, who will dissolve the corporation, and Perkins will be banned from fundraising, from managing a charity, and from oversight of charitable assets.
- Breast Cancer Society agreed to entry of a judgment for \$65,564,360, the amount consumers donated to it between 2008 and 2012. A receiver will close its operations, liquidate its assets, and dissolve its corporate existence. In a separate order, James Reynolds, II will be banned from fundraising, from managing a charity and from oversight of charitable assets.
- Former Cancer Support Services President and Cancer Fund Chief Financial Officer Kyle Effler agreed to entry of a \$41,152,231 judgment, the amount that consumers donated to Cancer Support Services between 2008 and 2012. Effler, too, will be banned from fundraising, from managing a charity, and from oversight of charitable assets.

**"The Office of the Attorney General has a responsibility to protect District residents and ensure that donations to charities operating in the District are used lawfully,"** Attorney General Racine said.

For more information on ways to report potential incidents of charity fraud, visit the Office of the Attorney General's website at <http://oag.dc.gov/page/charities-and-other-nonprofit-organizations>.

The action was filed in the U.S. District Court for the District of Arizona. The settlement agreements will not be final until approved by the Court. Litigation will proceed against Cancer Fund of America, Cancer Support Services, and James Reynolds, Sr.

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